CONFIDENTIAL
DECLASSIFIED

95

R

E/R

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY [illegible] DATE 14 MAY 1982
RDS☐or XDS☐EXT. DATE AUG 25 1960
TS AUTH. [illegible] REASON(S) [illegible]
ENDORSE EXISTING MARKINGS ☐
DECLASSIFIED ☑ RELEASABLE ☐
RELEASE DENIED ☐
PA or FOI EXEMPTIONS [illegible]

Dear Mr. Ambassador:

I very much appreciated receiving your views outlined in your letter of July 27 on the various points at issue in the Volta River Project. I made them available to the officers of the Department who are working on this important and complex matter.

As you well know, developments in connection with this project have been moving fast. You may be assured that we shall continue to keep you informed of further developments as they occur here.

Sincerely yours,

/S/ DOUGLAS DILLON

Acting Secretary

S/S-RO

AUG 25 1960

A true copy of signed original

The Honorable
Wilson C. Flake,
American Ambassador,
Accra, Ghana.

AF:AFS:E:Padberg, Jr.; wea; 8/18,22/60
Retyped in S/S-RO 8/25/60

See attached blue for clearances.

444883

(2)

DECLASSIFIED
CONFIDENTIAL

845J.2614/7-2760

LWS
CLASSIFIED BY

CONFIDENTIAL Attachment

DEPARTMENT OF STATE
EXECUTIVE SECRETARIAT

August 2, 1960 SS #9179

AF - Mr. Ruchti

Volta River Project

Attached is a letter dated July 27 to the Under Secretary from Ambassador Flake concerning the Volta River Project and the forthcoming visit of Mr. Gbedemah, the Ghanaian Minister of Finance.

AF is requested to prepare a reply to the Ambassador for the signature of the Under Secretary. The reply should, of course make reference to the conversations held by Mr. Gbedemah with other Department officials in the absence of Mr. Dillon. The reply, appropriately cleared, should reach S/S under cover of a memorandum to the Under Secretary not later than noon August 12.

H. T. Skofield
S/S-RO
Ext. 5262

cc: U - Mr. Leddy (w/att)
G - Mr. Meloy (w/att)
U/MSC - Mr. Romano (w/att)
E - Mr. Shostal (w/att)

CONFIDENTIAL Attachment

DECLASSIFIED

CONFIDENTIAL

Accra, Ghana,
July 27, 1960.

Dear Mr. Dillon:

In your letter of May 16, concerning the Mutual Security Program, you invited me to write you directly if the need arose. I am now taking advantage of this to express some views about the Volta River Project. I do so because, as I informed the Department in my telegram No. 135 of July 26, President Nkrumah has asked Mr. Gbedemah, the Minister of Finance, to discuss the subject with you when Mr. Gbedemah is in Washington August 9 and 10.

The IBRD has submitted its report to the Government of Ghana, and Mr. Diamond of the IBRD has recently concluded a visit he made to Accra to go over the report with Mr. Gbedemah and other officials of the Government of Ghana. Mr. Chad Calhoun, Vice President of Kaiser Industries, is leaving Accra tonight after being here for a week discussing the subject with President Nkrumah and Mr. Gbedemah. As things stand at the moment, there is a difference of opinion between the IBRD and the Kaiser Corporation on the question of what rate should be charged for power.

The IBRD seems to feel that Ghana should charge a rate high enough to ensure a good profit for the Government of Ghana. On the other hand, Mr. Calhoun feels that the rate suggested by the IBRD would make it impossible for a smelter operation to show a profit. Mr. Calhoun feels further that the IBRD and the Government of Ghana should be satisfied with little profit on the power to be consumed by the aluminum smelter; that they should, instead, expect other potential consumers of power to pay a higher rate which would show a good profit to the Government of Ghana and at the same time would be an economical rate for

The Honorable
Douglas Dillon,
Under Secretary of State,
Washington, D. C.

(2)

845J.2614/7-2760

CLASSIFIED BY

DECLASSIFIED

consumers other than an aluminum smelter. Mr. Calhoun advocates the Volta River Project as a broad developmental project which would have many more advantages to Ghana than merely supporting an aluminum industry, and President Nkrumah shares this view.

The Government of Ghana is caught between these two forces. It appreciates the advice tendered by the IBRD and would like to follow the IBRD's recommendation that it set a power rate for the smelter that would ensure a good profit to the Government of Ghana. At the same time the Government of Ghana fears that such a high power rate might kill the aluminum smelter and thus make it impossible for the Government of Ghana to proceed with a broad developmental project supported at the base by an aluminum smelter that would carry much of the cost of the hydroelectric installation.

Primarily to resolve this question, but also to discuss related questions, President Nkrumah is sending Mr. Gbedemah as head of the delegation that will go to Washington for discussions with the IBRD. In telling me yesterday that President Nkrumah wants him to see you while he is in Washington, Mr. Gbedemah indicated that one key to the question might be the extent to which the United States Government could help finance the Project from DLF at an interest rate lower than that charged by the IBRD. Mr. Gbedemah, as well as President Nkrumah, knows that Mr. Black's plans have been for IBRD to supply some of the 30 million pounds that Ghana must borrow and then to ask us to supply some from the DLF -- and this, I believe, is what Mr. Gbedemah wishes to discuss with you. Mr. Gbedemah hopes that en route to Washington he will be able to see the Chancellor of the Exchequer in London to ascertain to what extent and at what interest rate the British Government might be able to help.

These are things which, of course, must be left to you and others in Washington. My purpose in writing is to say that in my opinion we have now reached a critical point in our extended dealings with the Government of Ghana on the question of the Volta River Project. President Nkrumah is determined to get it going one way or another now that the experts have declared it to be economically feasible. He

DECLASSIFIED

wants to be ready to call for bids in September. He has steadfastly ignored the advice of others who would have him turn to the USSR for help. He has refused to believe things that have been said to him during the past two years to the effect that the Americans would do a lot of talking but in the end would find some excuse not to help him with the Volta River Project. He has faith in us and I feel that we must not disappoint him if we are to retain the strong advantage we enjoy today in having on the African continent an independent, stable, influential country headed by a man who looks upon the United States as a true friend. Fortunately, to do this we do not have to support a project of questionable merit. The Volta River Project, according to the experts, is a sound one.

Sincerely yours,

Wilson C. Flake

Wilson C. Flake
Ambassador

DECLASSIFIED